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UNCLAS ROME 004937

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SUBJECT: GREEK VIEWS ON MARGIN OF PREFERENCE
PROPOSAL

REF: (A)STATE 166836; (B)ATHENS 02267

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1. SUMMARY: ON OCTOBER 3 AGATTACHE AND AGSPECIALIST MET WITH MINISTRY OF AGRICULTURAL POLICY DIVISION SECRETARY GENERAL KORAKAS DG SARROS AND TWO OTHER MINAG EMPLOYEES RESPONSIBLE FOR THE DIVISION OF ARABLE CROPS TO DISCUSS GREECE'S POSITION ON THE MARGIN OF PREFERENCE (MOP). GREECE WILL LIKELY SUPPORT REPLACEMENT OF THE MOP WITH TARIFF RATE QUOTAS (TRQS) TO BOOST SUPPORT TO THEIR WHEAT GROWERS. END SUMMARY

2. THE PROSPECT OF CHEAP WHEAT IMPORTS FROM NEARBY BLACK SEA PORTS IS PERCEIVED BY THE GOG AS A THREAT TO GREECE'S PRIMARY SECTOR. GREEK IMPORTS OF WHEAT FROM RUSSIA AND UKRAINE CAN ARRIVE VIA THE BLACK SEA IN 24 HOURS. THE GREEK MINAG PERCEIVES THAT PARTIES BENEFITTING MOST FROM THESE SALES ARE SHIPPERS AND TRADERS. THE GOG'S OVERRIDING CONCERN IS TO CONTINUE TO SUPPORT THEIR WHEAT PRODUCERS, NOT MILLERS, TRADERS, OR SHIPPERS. IN ADDITION, SECRETARY GENERAL KORAKAS POINTED OUT THAT UNDER EU POLICY REFORM PROPOSALS OF THE MID TERM REVIEW (MTR), DURUM PRODUCERS WOULD FACE SEVERE CUTS. THE GOG WISHES TO PURSUE POLICIES TO SUPPORT ITS WHEAT PRODUCERS. ACCORDING TO OUR INTERLOCUTORS, GREECE ALSO SEES A POTENTIAL THAT BLACK SEA IMPORTS COULD OPEN THE DOOR FOR FUTURE COMPETITION FROM DURUM PRODUCERS OF SYRIA OR TURKEY.

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3. MINAG GAVE NO INDICATION THAT IT HAD CONSULTED WITH MILLERS OR TRADERS OF WHEAT TO DETERMINE A POSITION, NOR DID MINAG REPS CONSISTENTLY MAKE DISTINCTIONS BETWEEN MARKET EFFECTS OF TRQS ON TRADE AND PRODUCTION OF SOFT, HARD, OR DURUM WHEAT. GREECE PRODUCES ABOUT 1.4 MILLION TONS OF DURUM WHEAT ANNUALLY AND ABOUT 500,00 TONS OF SOFT WHEAT. IN RECENT YEARS GREECE HAS IMPORTED NO US WHEAT, BUT ANNUAL IMPORTS OF CANADIAN HARD WHEAT USED FOR MIXING WITH DOMESTIC SOFT WHEAT HAVE BEEN 60,000 TONS. THE MINAG IS AWARE THAT IF THE MOP WERE REPLACED BY A TRQ, AND THE PRICE OF DURUM WHEAT ON THE EU MARKET WERE TO RISE, GREEK PRODUCERS WOULD LIKELY RESPOND BY PLANTING MORE DURUM, SWITCHING PRODUCTION FROM SOFT WHEAT AND OTHER LESS PROFITABLE CROPS AS WELL.

4. MINAG DID NOT DIRECTLY RESPOND TO AGATT'S COMMENTS ON POSSIBLE UNINTENDED INFLATIONARY ASPECTS OF TRQS, ALTHOUGH MINAG ACKNOWLEDGED THAT INFLATION OF FOOD PRICES IS A CONCERN. WHEN QUESTIONED ABOUT THE TIMING OF ACTION ON THE MOP, SECRETARY KORAKAS REMARKED THAT "THE SOONER WE ESTABLISH REFERENCE PERIODS, THE BETTER." SEMBLER

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